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HOUSE BILL 2102

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State of Washington                      57th Legislature                      2001 Regular Session

By Representatives Poulsen and Crouse; by request of Governor Locke

Read first time . Referred to Committee on .

1            AN ACT Relating to diversification of state electricity supply and  
2 demand management; amending RCW 80.60.005 and 80.60.010; adding new  
3 sections to chapter 80.60 RCW; adding a new section to chapter 43.21F  
4 RCW; adding a new section to chapter 80.28 RCW; adding a new section to  
5 chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding a  
6 new section to chapter 82.16 RCW; creating new sections; and providing  
7 expiration dates.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9            NEW SECTION.    **Sec. 1.** This chapter may be known and cited as the  
10 diversification of electricity supply and demand management act.

11            **Sec. 2.** RCW 80.60.005 and 1998 c 318 s 1 are each amended to read  
12 as follows:

13            The legislature finds that it is in the public interest to:

14            (1) Encourage private investment in renewable energy resources;

15            (2) Stimulate the economic growth of this state; (~~and~~)

16            (3) Enhance the continued diversification of the energy resources  
17 used in this state; and

18            (4) Promote conservation and efficiency in electricity usage.

1       **Sec. 3.** RCW 80.60.010 and 2000 c 158 s 1 are each amended to read  
2 as follows:

3       The definitions in this section apply throughout this chapter  
4 unless the context clearly indicates otherwise.

5       (1) "Alternative energy resources" means electricity generation  
6 facilities fueled by: (a) Wind; (b) solar energy; (c) geothermal  
7 energy; (d) landfill gas; (e) wave or tidal action; (f) gas produced  
8 during the treatment of wastewater; or (g) biomass energy based on  
9 solid organic fuels from wood, forest, or field residues, or dedicated  
10 energy crops that do not include wood pieces that have been treated  
11 with chemical preservatives such as creosote, pentachlorophenol, or  
12 copper-chrome-arsenic.

13       (2) "Commission" means the utilities and transportation commission.

14       ~~((+2))~~ (3) "Conservation and efficiency resources" means measures  
15 that yield a decrease of energy consumption while providing the same  
16 level of energy service.

17       (4) "Customer-generator" means a user of a net metering system.

18       ~~((+3))~~ (5) "Department" means the department of community, trade,  
19 and economic development.

20       (6) "Electrical company" means a company owned by investors that  
21 meets the definition of RCW 80.04.010.

22       ~~((+4))~~ (7) "Electric cooperative" means a cooperative or  
23 association organized under chapter 23.86 or 24.06 RCW.

24       ~~((+5))~~ (8) "Electric utility" means any electrical company, public  
25 utility district, irrigation district, port district, electric  
26 cooperative, or municipal electric utility that is engaged in the  
27 business of distributing electricity to retail electric customers in  
28 the state.

29       ~~((+6))~~ (9) "Irrigation district" means an irrigation district  
30 under chapter 87.03 RCW.

31       ~~((+7))~~ (10) "Municipal electric utility" means a city or town that  
32 owns or operates an electric utility authorized by chapter 35.92 RCW.

33       ~~((+8))~~ (11) "Net metering" means measuring the difference between  
34 the electricity supplied by an electric utility and the electricity  
35 generated by a customer-generator that is fed back to the electric  
36 utility over the applicable billing period.

37       ~~((+9))~~ (12) "Net metering system" means a fuel cell or a facility  
38 for the production of electrical energy that:

39       (a) Uses as its fuel either solar, wind, or hydropower;

1 (b) Has a generating capacity of not more than twenty-five  
2 kilowatts;

3 (c) Is located on the customer-generator's premises;

4 (d) Operates in parallel with the electric utility's transmission  
5 and distribution facilities; and

6 (e) Is intended primarily to offset part or all of the customer-  
7 generator's requirements for electricity.

8 (~~(10)~~) (13) "Port district" means a port district within which an  
9 industrial development district has been established as authorized by  
10 Title 53 RCW.

11 (~~(11)~~) (14) "Public utility district" means a district authorized  
12 by chapter 54.04 RCW.

13 (15) "Qualified diversity resources" means alternative energy  
14 resources or conservation and efficiency resources.

15 (16) "Small electric utility" means any consumer-owned utility with  
16 twenty-five thousand or fewer electric meters in service, or that has  
17 an average of seven or fewer customers per mile of distribution line.  
18 "Electric meters in service" means those meters that record in at least  
19 nine months in any calendar year not less than two hundred fifty  
20 kilowatt hours per month.

21 NEW SECTION. Sec. 4. (1) By January 1, 2007, and each year  
22 thereafter through December 31, 2011, each electric utility shall  
23 ensure that at least five percent of its resources used to serve its  
24 Washington customers are qualified diversity resources. Of the five  
25 percent, not less than one and one-quarter percent must be alternative  
26 energy resources and not less than one and one-quarter percent must be  
27 conservation and efficiency resources.

28 (2) By January 1, 2012, and each year thereafter, each electric  
29 utility shall ensure that at least ten percent of its resources used to  
30 serve its Washington customers are qualified diversity resources. Of  
31 the ten percent, not less than two and one-half percent must be  
32 alternative energy resources and not less than two and one-half percent  
33 must be conservation and efficiency resources.

34 (3) An electric utility that as of March 1, 2001, owns or has under  
35 contract sufficient resources to meet one hundred percent of its  
36 forecasted needs to serve its customers is exempt from this section  
37 until such time as those resources are no longer sufficient to serve at  
38 least ninety-five percent of its forecasted needs.

1 (4) A small electric utility that purchases all of its electric  
2 supply from the Bonneville power administration is exempt from this  
3 section in any year for which the Bonneville power administration does  
4 not offer, when the contract for purchase is executed, resources that  
5 enable the utility to comply with this section.

6 NEW SECTION. **Sec. 5.** (1) By March 1, 2003, and by each March 1st  
7 thereafter, each electric utility, except electrical companies, shall  
8 report to the department its activities undertaken to achieve the  
9 requirements of section 4 of this act.

10 (2) Beginning March 1, 2003, and by each March 1st thereafter, each  
11 electrical company shall report to the commission its activities  
12 undertaken to achieve the requirements of section 4 of this act.

13 (3) By July 1, 2007, and by July 1, 2012, the department and the  
14 commission must jointly report to the legislature and the governor  
15 whether and how the standards in section 4 of this act have been met  
16 for the previous five calendar years.

17 NEW SECTION. **Sec. 6.** A new section is added to chapter 43.21F RCW  
18 to read as follows:

19 (1) The department shall adopt rules governing the reporting  
20 requirements in section 5(1) of this act.

21 (2) The department shall adopt rules establishing criteria for  
22 determining whether resources qualify as alternative energy resources  
23 or conservation and efficiency resources as defined in RCW 80.60.010.  
24 To the extent practicable, these criteria shall be consistent with any  
25 pertinent recommendations of the regional technical forum of the  
26 Pacific Northwest electric power and conservation planning council  
27 created under P.L. 96-501, 16 U.S.C. Sec. 839. The rules shall include  
28 criteria for qualifying expenditures for weatherization of low-income  
29 households as conservation and efficiency resources.

30 (3) By July 1, 2002, the department shall develop and report to the  
31 legislature recommendations concerning a credit and credit-trading  
32 program for qualified diversity resources, designed to provide electric  
33 utilities with a tool for collectively and efficiently achieving the  
34 requirements of section 4 of this act.

35 NEW SECTION. **Sec. 7.** A new section is added to chapter 80.28 RCW  
36 to read as follows:

1 The commission shall adopt rules to implement sections 4 and 5 of  
2 this act with respect to electrical companies.

3 NEW SECTION. **Sec. 8.** Each electric utility, as defined in RCW  
4 80.60.010, shall undertake and complete by January 1, 2003, a  
5 feasibility study to determine effective methods for reducing by at  
6 least three percent use of electricity during daily peak periods of  
7 electricity demand. Each utility shall report the results of its study  
8 under section 5 of this act. The study shall consider the feasibility  
9 and effectiveness of such factors as: Providing consumers information  
10 on the cost of electricity at different times of day or season; "smart  
11 meters" technology or other energy management systems that enable  
12 consumers and utilities to improve management of electricity supply and  
13 cost; and rate structures that create an incentive for demand reduction  
14 dispatched by utilities.

15 NEW SECTION. **Sec. 9.** Any direct service industrial customer that  
16 obtains a sales and use tax exemption or deferral or business and  
17 occupation tax or public utility tax credit under chapter . . . (House  
18 Bill No. 1404, Senate Bill No. 5539, or other similar legislation),  
19 Laws of 2001 must meet the obligations under sections 4 and 5 of this  
20 act as if it were an electric utility.

21 NEW SECTION. **Sec. 10.** A new section is added to chapter 82.08 RCW  
22 to read as follows:

23 The tax levied by RCW 82.08.020 does not apply to sales of smart  
24 metering technology purchased after July 1, 2003, by an electric  
25 utility as defined in RCW 80.60.010, up to a selling price of fifty  
26 dollars per utility customer to be served by the technology. "Smart  
27 metering technology" means equipment, including specialized meters,  
28 that provide two-way electronic communication between the utility and  
29 a customer's electric meter or electric appliances, and that will  
30 enable the utility to charge different rates during different times of  
31 day or to physically reduce or interrupt demand for electricity. The  
32 utilities and transportation commission shall provide information to  
33 the department and to the electric utility in regard to how many  
34 customers are being served by smart metering technology on June 30,  
35 2001, and how many additional customers will be served by application  
36 of the smart metering technology after July 1, 2001.

1 This section expires June 30, 2007.

2 NEW SECTION. **Sec. 11.** A new section is added to chapter 82.12 RCW  
3 to read as follows:

4 The provisions of this chapter do not apply in respect to smart  
5 metering technology purchased after July 1, 2003, by an electric  
6 utility as defined in RCW 80.60.010, up to a selling price of fifty  
7 dollars per utility customer to be served by the technology. "Smart  
8 metering technology" means equipment, including specialized meters,  
9 that provide two-way electronic communication between the utility and  
10 a customer's electric meter or electric appliances, and that will  
11 enable the utility to charge different rates during different times of  
12 day or to physically reduce or interrupt demand for electricity.

13 This section expires June 30, 2007.

14 NEW SECTION. **Sec. 12.** A new section is added to chapter 82.16 RCW  
15 to read as follows:

16 In computing tax under this chapter for any electric utility as  
17 defined in RCW 80.60.010 that has been certified by the utilities and  
18 transportation commission to have, as of July 1, 2001, installed smart  
19 metering technology for at least thirty percent of its customers, there  
20 may be deducted from the gross income an amount equal to the purchase  
21 price of smart metering technology purchased in the calendar year, up  
22 to one hundred dollars per additional customer enabled to be served by  
23 such technology beyond the number of customers that were served by  
24 smart metering technology in the previous calendar year. "Smart  
25 metering technology" means equipment, including specialized meters,  
26 that provide two-way electronic communication between the utility and  
27 a customer's electric meter or electric appliances, and that will  
28 enable the utility to charge different rates during different times of  
29 day or to physically reduce or interrupt demand for electricity. The  
30 utilities and transportation commission shall provide information to  
31 the department and to the electric utility in regard to how many  
32 customers are being served by smart metering technology on June 30,  
33 2001, and how many additional customers will be served by application  
34 of the smart metering technology after July 1, 2001.

35 This section expires June 30, 2003.

1        NEW SECTION.    **Sec. 13.**    Sections 1, 4, 5, and 9 of this act are  
2 each added to chapter 80.60 RCW.

3        NEW SECTION.    **Sec. 14.**    If chapter . . . (House Bill No. 1404,  
4 Senate Bill No. 5539, or other similar legislation), Laws of 2001 does  
5 not become law by June 30, 2001, section 9 of this act is null and  
6 void.

7        NEW SECTION.    **Sec. 15.**    If any provision of this act or its  
8 application to any person or circumstance is held invalid, the  
9 remainder of the act or the application of the provision to other  
10 persons or circumstances is not affected.

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